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UNCLAS SECTION 01 OF 02 CAIRO 004532

SIPDIS

STATE FOR NEA/ELA, NEA/RA, L/CID/JNICOL AND
EB/IFD/OIA/JPROSELI
USAID FOR ANE/MEA MCCLOUD
USTR FOR SAUMS
TREASURY FOR MILLS/NUGENT/PETERS
COMMERCE FOR 4520/ITA/ANESA/TALAAAT

E.O. 12958: N/A

TAGS: [CASC](#) [EFIN](#) [EINV](#) [KIDE](#) [PGOV](#) [EG](#) [OPIC](#)

SUBJECT: EGYPT: 2005 REPORT ON INVESTMENT DISPUTES AND
EXPROPRIATION CLAIMS

REF: STATE 70014

Post is aware of six claims of U.S. persons that may be
outstanding against the Government of Egypt:

1. a) Claimant A
b) 2001
c) In June 2001, the Alexandria Governorate took approximately 6,000 square meters of claimant's land (on which a factory had been built) to widen the adjoining highway. The Governorate's ensuing construction work also damaged a wall and some property. As a result of this action, Claimant A made a request to the Governorate for compensation of LE 2 million (approximately \$390,000) for the seized land and physical damage. The compensation case proceeded smoothly at first. However, during the final stages of the compensation process in late 2003, the Governorate informed Claimant A that it did not have legal title to the entire property (despite documentation to contrary), and thus had no right to compensation for the land taken for the highway. The Governorate officials further informed claimant A that it had no right to expand operations, sell the land or engage in any legal proceedings involving the land, and that Governorate would file a lawsuit against Claimant A to reclaim the land. Because of the dispute, Claimant A was unable to expand operations and meet growing export orders. After the Embassy participated in a meeting with the claimant and GAFI, the governmental investment authority, GAFI established a technical committee to review the issue. In March 2005 GAFI officially confirmed Claimant A's ownership of the land and notified the Governorate, which offered compensation of less than the LE 2 million requested by the claimant. At the time of this report's submission, Claimant A was starting negotiations with the Governorate regarding the amount of compensation.
2. a) Claimant B
b) 1992
c) Claimant B was awarded a contract in 1989 to refurbish an Egyptian Government-owned hotel in the Ain Sokhna area. The Claimant had spent several million dollars by 1992 and was ready to inaugurate the project when the Ministry of Public Enterprise informed him that the contract was null and void. Both parties agreed to arbitration, which resulted in a favorable ruling for Claimant B. Nonetheless, the Ministry of Public Enterprises continued to demand that Claimant B surrender the assets and took the matter to court. The case was initially denied on the grounds that the original contract stipulated that in case of legal disputes both parties would seek arbitration. The Ministry then appealed and a court agreed on the grounds that the arbitration decisions were never executed. Claimant petitioned against this decision and is still awaiting further court action. There has been no change in the status of this case over the past year, and Claimant B is reported to have withdrawn operations from Egypt.
3. a) Claimant C
b) 1998
c) Claimant C secured a \$6.2 million, 4-year contract with Egypt's then-Ministry of Trade and Supply to provide technical assistance to the Egyptian Export Development Center and export-promotion support for Egyptian companies. The money was allocated from the Ministry of International Cooperation through local currency proceeds generated from the USAID cash transfer program. Claimant C began to provide training, and an initial payment of \$1.6 million was due in March 1998. In June 1998, the claimant received a partial payment of \$560,000, and the Egyptian Export Development Center, under the successor Ministry of Economy and Foreign Trade (now the Ministry of Foreign Trade and Industry) subsequently cancelled the contract and all future services to be provided, claiming services already provided were of unsatisfactory quality. No other payments were made, despite Embassy Cairo's numerous approaches to the Prime Minister, former Minister of Trade and Supply, former Minister of Economy and Foreign Trade and Managing Director of the Egyptian Export Development Center. Embassy Cairo

repeatedly advised Claimant C to pursue arbitration, but the claimant continued to seek a political solution. At the time of this report's submission, claimant was awaiting a response to the claim from the new Ministry of Foreign Trade and Industry. The Egyptian Export Development Center was closed in 2002, but a new export-promotion center will open soon. The Ministry of Foreign Trade and Industry has indicated that once the new center is established, claimant will be welcome to submit a proposal to offer services.

14. a) Claimant D

b) 2004

c) The Egyptian National Air Navigation Services Company (NANSC), part of the Egyptian Ministry of Civil Aviation, contracted with Claimant D to supply seven surveillance radars to be installed in seven different locations across the country. Prior to the final stages of the contract, the Egyptian authorities seized the company's \$3.4 million performance bond, claiming performance deficiencies in the supplying of proper documentation, spare parts, and test equipment. Embassy Cairo has been involved in discussions between the parties and has raised the dispute up to and including the level of the Prime Minister. In August 2004, a mediation committee was set up between the GOE and Claimant D to resolve the issue. However, NANSC terminated the committee before a decision was reached and did not respond to solutions offered by the claimant at the end of 2004 in pursuit of a negotiated settlement. In January 2005 the Minister of Civil Aviation decided to resort to official arbitration after meeting with the senior management of Claimant D. At the time of this report's submission, no action had been taken on the arbitration. In February 2005 Embassy Cairo approached the Ministry of Foreign Trade and Industry to assist in negotiations and is awaiting a response.

15. a) Claimant E

b) 2005

c) In April 2005 Claimant E sent an official complaint to the Egyptian customs authorities regarding the importing of fake products from China under the claimant's trademark, using forged documentation. Embassy Cairo referred the issue to the GOE's specialized office for such matters -- the Ministry of Foreign Trade and Industry's Intellectual Property Rights Contact Point -- with a request to investigate the case and coordinate GOE action to prevent further importation of the fake products.

16. a) Claimant F

b) 2002

c) In 2002 the Egyptian National Authority for Remote Sensing and Space Sciences (NARSS) purchased from Claimant F a ground receiving station for \$2 million. NARSS did not want to pay in foreign currency and contracted the purchase through the claimant's local agent, who signed two contracts with the claimant and NARSS in local currency and U.S. dollars, in order to hedge the parties against exchange rate risks. The station was to be installed in a new building in Aswan that was completed only in late 2004. NARSS requested that the local agent and the claimant start installation, at which time the claimant raised a number of concerns regarding the condition of the equipment and issues related to the contract terms including software license, warranty issues and delay penalties. During the negotiations between the parties it became clear that NARSS did not want the local agent involved in the case. The local agent was reluctant at first to dissolve the partnership due to financial issues, but is now negotiating with both NARSS and the claimant to establish a direct relationship between NARSS and Claimant F.

17.

Claimant A: Colgate-Palmolive

Claimant B: H and H Enterprises

Claimant C: International Trade and Marketing (ITM)

Claimant D: Northrop and Grumman Electronic Systems

Claimant E: Hanover Wire Cloth Inc.

Claimant F: Datron Co.